

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: April 1, 2015

To: Regional Planning Committee

From: Miriam Chion, Planning and Research Director
Johnny Jaramillo, Senior Planner

Subject: **Regional Economic Framework and Industrial Activities**

The purpose of this session is to provide a brief overview of the Regional Economic Framework, and focus on three projects that highlight local, sub-regional and regional approaches to industrial activities.

Framework

On January 15th, 2015, staff presented a *draft Regional Economic Framework* to the Executive Board. The purpose of this presentation was to address the economic challenges and opportunities as a priority that was identified in Plan Bay Area and by the Joint Policy Committee. The Board directed staff to proceed with a comprehensive and inclusive process to assemble existing work by economic organizations. This body of work, in combination with the State of the Region Report, will be the foundation for identifying common themes and strategic solutions from throughout the region, improve our understanding of the local and regional economy, and identify specific ABAG actions to advance regional economic prosperity.

Industrial activities

We will discuss three major efforts in the region that explore strategies to support the economic vitality of the region from the perspective of industrial land, industrial jobs and goods movement.

1. Rich Seithel, Contra Costa County Department of Conservation & Development, will present the Northern Waterfront Initiative, a multi-jurisdiction collaboration to support critical industrial and goods movement businesses along a 50-mile stretch of Contra Costa's northern waterfront.
2. Gil Kelley, San Francisco Chief of Comprehensive Planning, will present the Eastern Neighborhoods rezoning and area plan effort.
3. Carolyn Clevenger, MTC Principle Planner, will present initial findings from MTC's Goods Movement Study.

Next Steps

Between April-December 2015, staff will focus on identifying high consensus strategies to support regional economic vitality including:

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- Creating a Regional Economic Strategy subcommittee to identify high consensus strategies, reflecting a diversity of perspectives. This subcommittee will have broad representation from business, economic and research organizations, local jurisdictions, workforce advocates, and other stakeholders by May 2015..
- Identifying high level consensus strategies where ABAG plays a role for review by the Executive Board in July
- Further developing high consensus strategies by January 2016

Attachments

1. Regional Economic Strategy Framework
2. Revitalizing Contra Costa's Northern Waterfront Executive Summary: How to be Competitive in the 21st Century Global Economy.
3. San Francisco Eastern Neighborhoods Brief
4. Goods Movement Study Overview

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Executive Summary

The economic growth of the San Francisco Bay Area is essential to the quality of life of our residents, the vitality of our neighborhoods, and the environmental and cultural amenities that make this region a special place for local residents. Addressing economic development was identified as a priority in Plan Bay Area and by the Joint Policy Committee (JPC). This memo outlines a process for developing a Regional Economic Strategy framework based on input from the Bay Area's economic development organizations, regional agencies, local jurisdictions and other stakeholders.

Over the last three years, ABAG has been an active participant in several efforts, including the Bay Area Council Economic Institute's Business Partnerships initiative, the HUD-sponsored Regional Prosperity Consortium and the PDA feasibility assessment. In a presentation to the Executive Board in October 2013, economic development was featured as one of four areas of focus for Plan Bay Area implementation. Staff is reviewing recommendations from these efforts and other completed reports by economic organizations as well as gathering input from local jurisdictions (**Appendix 1**).

Why We Need to Assemble a Regional Economic Strategy Framework

We have an enviable economy, but this creates other challenges including strains on our infrastructure, high housing costs and improving our education and training systems. Addressing these challenges is essential to a healthy and sustainable regional economy.

The Regional Economic Strategy framework is an effort to summarize, synthesize and elevate the variety of strategies and efforts at the local, sub-regional and regional level relating to the Bay Area economy. Economic development programs that are successful build from local resources and talent, while recognizing the regional and global context. A Regional economic and workforce development role for ABAG could facilitate communication among jurisdictions within the region, offer resources that are applicable to multiple jurisdictions, and support the region's "brand" statewide, nationally and globally.

Why ABAG

ABAG is well positioned to support this coordination. As the Council of Governments for the Bay Area, ABAG can convene jurisdictions, organizations and stakeholders from across the region to exchange ideas, and foster greater collaboration and understanding around land use planning, housing and infrastructure for a more resilient economy.

This also represents a natural outgrowth of our established regional economic forecasting and analysis regarding the region's economy and population. ABAG is also a founding member of the Bay Area Council Economic Institute and has worked with economic development organizations across the region for decades.

This coordination would support each organizations regional efforts and the Joint Policy Committee at several levels:

- **Communication.** ABAG can facilitate communication between jurisdictions, organizations and other stakeholders in different settings (for example, highlighting business requirements for local PDA planners) and with complementary interests (for example, community organizations and trade organizations). The findings of one project can inform the work in other projects helping each achieve more successful outcomes.
- **Advocacy & Policy Recommendations.** As an organization that works at the state, regional and local levels, ABAG can elevate local concerns to the appropriate level of government to affect needed change.
- **Analysis.** ABAG staff has extensive experience conducting regional analysis to support local jurisdictions and economic development organizations. ABAG can also provide assistance with methodological and conceptual approaches to research and interpretation of results for specific projects.
- **Vision.** As a Council of Governments representing local jurisdictions and elected officials, ABAG can communicate a regionwide vision of economic goals for different stakeholder groups.

Framework Elements

The revised regional economic strategy framework identifies areas to support a resilient and diverse economy in light of our demographic changes, environmental challenges, and infrastructure needs. The chart below shows the revised framework categories and highlights key organizations and projects that identify regional challenges and potential strategies. *This framework will be updated according to the development of new projects and input from the ABAG Executive Board.*



- **Infrastructure Quality & Resilience**
 - Goal: Invest in traditional & 21st century infrastructure, and resilient infrastructure, buildings, and homes for rapid economic recovery after a natural disaster
 - Example Projects: ABAG Resilience Program reports, BACEI Infrastructure report forthcoming
 - Implementation / Stakeholders: Local jurisdictions, regional agencies, state, transportation agencies, business community and utilities
 - Status: Several reports finished, BACEI Summer 2015
 - Schedule: Ongoing
- **Job Opportunities and Training for Trades**
 - Goal: Retain and expand access to middle income jobs, strengthen match between business needs and training programs
 - Example Projects: BACEI Higher Education, League Community Colleges, HUD Prosperity Report
 - Implementation / Stakeholders: Workforce boards, education, cities, business & workforce organizations
 - Status: Economic Prosperity Strategy Report completed
 - Schedule: Ongoing

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- **Business Partners**
 - Goal: Identify opportunities and specific actions to support a healthy business climate and job growth
 - Example Projects: BACEI Regional Economic Assessment Report & Process
 - Implementation / Stakeholders: Business leaders, organizations and agencies
 - Status: Underway
 - Schedule: Summer 2015
- **Industrial Land & Goods Movement**
 - Goal: Meet increasing demand for goods, industries, and jobs, address environmental and community impacts
 - Example Projects: UC Berkeley Industrial Land Study, MTC / ACTC Goods Movement
 - Implementation Stakeholders: Transportation agencies, cities, businesses
 - Status: Underway
 - Schedule: 2015
- **Jobs Housing Balance & Fit**
 - Goal: Housing proximity to jobs, workforce housing in the core, more housing overall at higher appropriate densities
 - Example Projects: ABAG Housing Program, BACEI Regional Economic Assessment, CA High Housing Costs Leg. Analyst
 - Implementation / Stakeholders: Local jurisdictions, Regional agencies, State, developers
 - Status: Several reports finished, others due Summer 2015
 - Schedule: Ongoing

This framework will help us build a better business climate in the Bay Area, by understanding the complementary roles of each project and how to facilitate collaboration across projects and across agencies including businesses and public agencies. Coordination of these projects can leverage the value of the economic analysis and strategies each contains. The distinct qualities and perspectives of these projects provide a rich platform from which to support employment growth, regional and local economic vitality, and quality job opportunities for the future.

Identifying Regional Trends, Challenges and Strategies

Starting with the State of the Region Report that contains an overview of recent economic trends, challenges and opportunities, staff will draw from various projects to develop a set of strategies that supports the growth pattern envisioned in the next Plan Bay Area.

- Given our understanding of the regional economy today, ABAG will prepare a Regional Forecast of population, jobs and housing by 2040 for Plan Bay Area 2017. This forecast will be developed based on a demographic model (Pitkins and Myers), economic model (REMI), and housing model.
- Staff will work with the Economic Strategies Subcommittee to identify additional sources and stakeholders and to identify high consensus strategies.
- Staff will summarize findings and potential strategies for discussion at the Executive Board.

Attachment 1
Regional Economic Strategy Framework
April 1, 2015

Work Program Schedule

Between April 2015 and January 2016, ABAG will refine the work program and schedule and work to identify and refine high consensus strategies as follows:

- May 2015: RPC Subcommittee meeting #1 to establish process for selecting high consensus strategies
- June 2015: RPC Subcommittee meeting #2 to select initial high level strategies
- Summer 2015: Executive Board endorses selection of high level consensus strategies
- December 2015: RPC review refined economic strategies
- January 2016: Executive Board review and endorse high consensus refined economic strategies

Key Reports to Inform the Regional Economic Program

This set of reports was requested by the ABAG Executive Board on January 15th, 2015, when staff presented a *draft framework* of what ABAG could do to support regional economic development, a priority identified in Plan Bay Area and the Joint Policy Committee. The Board directed staff to begin the process of scoping a comprehensive, orderly and inclusive process to assemble and document a Regional Economic Development Framework, drawing in large part from existing work in this area. The intent of this framework is to elevate and support common themes and strategic solutions from various organizations throughout the region, improve our understanding of the structure of the local and regional economy, and to identify what specific actions ABAG can take to advance regional economic prosperity.

Bay Area Council Economic Institute - Regional Economic Assessment and update

In 2012, the Bay Area Council Economic Institute (BACEI) Regional Economic Assessment found that the Bay Area enjoys unique economic assets that have enabled it to prosper across economic cycles. It also found growing economic inequality, and a risk that significant parts of the population won't share in the region's general economic success. The study asked if the economy could be even stronger and generate more jobs for its residents if regional challenges could be overcome including housing cost and availability, congestion, regulatory efficiency, and a lack of strategic focus on regional economic priorities. It found that there is a need for a more effective partnership between business and government on economic issues. <http://www.bayareaeconomy.org/media/files/pdf/BAEconAssessment.pdf>

As part of the Regional Economic Assessment update, the Bay Area Council Economic Institute in partnership with ABAG and MTC led six sub-regional meetings that highlighted local best practices in economic development and identified local priorities and concerns. These sub-regional meetings included local leaders and economic development organizations, with representation from entities focusing on business, workforce development, transportation, and education and took place in the North Bay, San Francisco, the East Bay, Santa Clara County, San Mateo County, and Solano County.

Each meeting addressed two broad questions: 1) What best practices and initiatives in support of economic vitality are taking place at the local level and have proven outcomes? 2) What potential regional-level actions do local leaders see as helpful to their own efforts? The following memo highlights the economic development themes that emerged over multiple meetings: http://abag.ca.gov/planning/pdfs/RES_Memo_BACEI_Aug2014.pdf

The findings from these discussions will be integrated into a summary document. The final document will also include best practices research and a systematic review of findings from recent reports completed by the BACEI.

Economic Prosperity Strategy

The San Francisco Bay Area is in the midst of a strong recovery from the past decade's economic downturn. However, the benefits of prosperity are not universally shared. In the Bay Area, more than 1.1 million workers — over a third of the total workforce — earn less than \$18 per hour.

How can we make sure the region's rising economic tide does more to lift all boats? The Economic Prosperity Strategy identifies a comprehensive, three-pronged approach to providing greater economic mobility to low- and moderate-wage workers in the Bay Area. First, create pathways that will help lower-wage workers move into middle-wage employment. Second, promote economic growth with an emphasis on middle-wage jobs — to ensure that there are sufficient opportunities for moving up. And third, improve the quality of jobs and economic conditions for lower-wage workers.

Another goal was not to develop prescriptive recommendations, but strategies for regional consideration that represent the diversity of perspectives in the nine county Bay Area. The research, outreach and drafting of the Economic Prosperity Strategy was carried out by a core team of four organizations informed by outreach to businesses, economists, local jurisdictions and labor including SPUR, Center for Continuing Study of the California Economy (CCSCE), San Mateo County Union Community Alliance, and Working Partnerships USA.

The strategies outlined in this report are grounded in the key findings. The study found that the continued success of the Bay Area economy requires growing middle-wage jobs and offering lower-wage workers more opportunities to advance. The region faces a number of critical issues in improving upward mobility for lower-wage workers.

The full report can be found here: <http://www.spur.org/publications/spur-report/2014-10-01/economic-prosperity-strategy>

BACEI, Reforming California Public Higher Education for the 21st Century

This Bay Area Council Economic Institute White Paper assesses the changing environment for public higher education in California, and the changes required in the University of California, California State University and California Community Colleges systems to ensure that the state will continue to generate a globally competitive workforce.

This report can be found here:

<http://www.bayareaeconomy.org/media/files/pdf/ReformingCApublicHigherEdWhitePaperDec2014.pdf>

League for Innovation in the Community College, Role of Community Colleges in Regional Economic Prosperity

In many regions in North America, community and technical colleges serve a critical role in supporting, and often lead, regional economic prosperity planning and collaboration. In this monograph, leaders from League for Innovation in the Community College member institutions share creative examples of how they are helping to advance economic prosperity in their regions.

The full report can be found here:

http://www.league.org/publication/files/Regional_Economic_Prosperty.pdf

Regional Goods Movement Plan Update - Preliminary Findings

Goods movement is a critical piece of the region's transportation system, supporting a strong economy and providing residents and businesses with the products they need. Goods movement activities create a diverse array of jobs, and generate tax revenues to support crucial public investments. At the same time, goods movement activities have significant environmental and public health impacts on those communities located in close proximity to goods movement activities. Plan Bay Area, the region's regional transportation plan and sustainable communities strategy, identifies goods movement as a key work item to advance as part of Plan implementation and to develop further for the Plan update in 2017.

MTC is developing an update to the Regional Goods Movement Plan. The regional work is being closely integrated with the [Alameda County Transportation Commission's \(ACTC\) countywide goods movement planning effort](#), as well as the ongoing state and federal freight planning and policy activity to ensure

consistency among all plans and to provide a more complete picture of the goods movement system in the Bay Area. In collaboration with ABAG, the goods movement effort involves updating the *regional and subregional analysis of goods movement* in terms of the transportation system, land use requirements, and air quality implications.

General information on the Regional Goods Movement Plan update can be found here:

<http://www.mtc.ca.gov/planning/rgm/>

A staff presentation on the Needs Assessment currently underway can be found here:

http://apps.mtc.ca.gov/meeting_packet_documents/agenda_2341/5_Freight_Memo_and_PowerPoint.pdf

Industrial Land and Job Study – Summary Scope of Work

The location of Industrial or *Production, Distribution, and Repair* (PDR) businesses within the nine-county Bay Area has important implications for regional sustainability and jobs. Locating wholesale distributors in particular near major trading ports and city centers on industrial lands where space is relatively more affordable provides access to key local markets helps ensure the efficient movement of goods. The recent growth of the Bay Area's lighter "maker and artisanal goods" industries, from catering businesses to pet facilities to coffee roasters and chocolatiers, gain productivity benefits from clustering in the core. Displacing these to outlying areas – a trend that is already occurring – has economic impacts and significantly increases vehicle miles traveled (VMT) from trucks (Hausrath Economics Group and Cambridge Systematics 2008). Displacement of these firms may also increase VMT for workers, should their job accessibility decrease, or result in a loss of employment if the firm moves outside the Bay Area altogether.

With research support from ABAG and in close coordination with MTC, this UC Berkeley study proposes to:

- Analyze the function of and demand for industrial/PDR land in the economy of today and tomorrow;
- Describe the current supply and location of industrial/PDR land, and develop a typology of businesses currently located on industrial land that includes their projected growth trends and location in the region;
- Analyze the economic, employment and transportation impacts of land conversion on job quality and accessibility, other industry sectors, and VMT;
- Estimate future needs for industrially zoned land and develop strategies for preserving industrially zoned land, as needed, to support the policy and planning approaches under development by MTC / ACTC to support sustainable goods movement in the region.

Summaries and Links to Other Bay Area Economic Development Organization Reports

- *Joint Venture Silicon Valley Index*. This report finds that Silicon Valley is experiencing a level of innovation and economic activity that is impressive by any standard, and leads the nation. Yet the region also shows stark income and achievement gaps, and faces considerable challenges in accommodating sustained economic growth.
<http://www.jointventure.org/images/stories/pdf/index2014.pdf>

- *Silicon Valley Community Fund, Community Economic Development Brief.* This brief represents a summary of important trends and issues related to community economic development.
http://www.siliconvalleycf.org/sites/default/files/CEDBrief_web.pdf
- *East Bay Economic Development Alliance (EBEDA) Building on our Assets: Economic Development and Job Creation in the East Bay.* The purpose of this report is to better understand the dynamics of the East Bay economy to identify the East Bay region's opportunities and challenges for future growth. The project team conducted an in-depth analysis of employment, business, workforce, infrastructure, and land use characteristics, augmented with interviews with business executives. On the basis of the analyses, this study provides recommendations for elected officials, workforce development and education board members, city managers, city and regional planners, economic development specialists, regional agency commissioners, state officials, business leaders and other decision-makers to plan for a prosperous region. http://www.eastbayeda.org/ebeda-assets/reports/2013/Econ%20Report_Building_on_Our_Assets_Report_2011.pdf
- *Northbay Leadership Council / McKinsey, Education to Employment Designing a System that Works.* Around the world, governments and businesses face a conundrum: high levels of youth unemployment and a shortage of job seekers with critical skills. How can a country successfully move its young people from education to employment? What are the challenges? Which interventions work? How can these be scaled up? These are the crucial questions this report attempts to answer.

Executive Summary: http://mckinseysociety.com/downloads/reports/Education/Education-to-Employment-exec-summary_FINAL.pdf

Full Report: <http://mckinseysociety.com/education-to-employment/report/>

- *Tri-Valley Rising: Its Vital Role in the Bay Area Economy.* An examination of the Tri-Valley's assets and the transportation investments required for sustaining economic success.
http://www.bayareaeconomy.org/media/files/pdf/BACEI_Tri_Valley_report.pdf
- *BACEI, In The Fast Lane: Improving Reliability, Stabilizing Local Funding, and Enabling the Transportation Systems of the Future in Alameda County.* This report is an exploration of Alameda County's transportation systems, how they are funded, what role they play in supporting economic growth, and what changes are needed to ensure a prosperous future. This report also provides an overview of the proposed TEP and how it addresses the region's current and future needs.
http://www.bayareaeconomy.org/media/files/pdf/BACEI_InTheFastLane_Report_20140627.pdf

As a next step, we will distribute a selection of reports from local economic development organizations, to ensure that economic development efforts at the local level are acknowledged as well.